

# Financial Status Report

Prepared by the Finance Department










March 31, 2013

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through March 31, 2013. It compares revenues and expenditures for the first nine months of Fiscal Year 2012-13 and Fiscal Year 2011-12. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

## San Diego County Economic Indicators

<p><b>February 2013</b></p>  <p>Up 0.90%</p> <p><b>Index of Leading Economic Indicators</b></p>	 <p>Up 1.00%</p> <p><b>Local Stock Prices</b></p>  <p>Down 0.41%</p> <p><b>Local Consumer Confidence</b></p>
 <p>Up 1.87%</p> <p><b>Building Permits</b></p>	 <p>Up 0.87%</p> <p><b>Help Wanted Advertising</b></p>
 <p>Up 1.09%</p> <p><b>Unemployment Insurance</b></p>	 <p>Up 1.04%</p> <p><b>National Economy</b></p>

Source: University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators*, April 9, 2013.

### According to the USD Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose in each of the last three months, with gains of 0.4, 0.3, and 0.9 percent, respectively, for December, January, and February. February's advance was led by sharp increases in building permits, initial claims for unemployment insurance, local stock prices, and the outlook for the national economy. Help wanted advertising was also up moderately. The only negative component was consumer confidence, which was down slightly. The USD Index has now increased for six consecutive months.

The local economy is off to a strong start in 2013, with year-over-year job growth of at least 30,000 in each of the first two months. One sector benefiting from the increase and contributing to it is housing. Fueled by job growth and low interest rates, home prices have surged and the number of distressed properties has fallen. This has led to increased employment in construction, and the wealth effect of higher home prices may impact consumer spending. The outlook for 2013 is for the local economy to do even better. More than 25,000 wage and salary jobs were added in 2012, and the forecast is for another 25,000 – 30,000 to be added in 2013. Tempering the optimism is the negative impact of the sequester cuts, given the significance to San Diego's economy of the military and funding for scientific research.

Residential units authorized by building permits reversed a three-month down trend with a very strong gain in February. Residential units authorized topped 1,000 in a month for the first time since March 2007. More than 80 percent of those units were multi-family units. Both labor market variables have been positive in recent months. Initial claims for unemployment insurance have fallen sharply, which is a positive for the Index and which reflects reduced job loss in the local economy. On the other side of the labor market, hiring continues to pick up with help wanted advertising increasing for the 25<sup>th</sup> time in 26 months. The net result was that the local unemployment rate was at 8 percent in February, which compares to a rate of 8.6 percent in January of this year and 9.4 percent in February 2012. Consumer confidence fell for the second month in a row. Possible causes include surging gas prices during the month, the increase in the payroll tax at the beginning of the year, and the political gridlock at the national level. The stock market started the year spectacularly, with the Dow Jones Industrial Average hitting an all-time high. Local stock prices matched that performance with two strong months to begin the year. Despite mixed indicators at the national level, the national Index of Leading Economic Indicators is forecasting a solid year for the national economy. Growth in the fourth quarter was an anemic 0.4 percent, although that was up from the "advance" estimate of a decrease of 0.1 percent. Job growth was disappointing in March at less than 100,000, but is expected to be strong enough in the rest of the year to drive down the unemployment rate to around 7 percent from the current 7.6 percent.<sup>1</sup>

## General Fund Revenues



**Property Taxes (\$30.7 million)** – In December, the city began to see a much larger flow of property tax revenues. Property taxes reflect a 6 percent increase over Fiscal Year 2011-12. This increase is predominantly due to one-time revenues received by the city due to the state dissolving the former Carlsbad Redevelopment Agency. The former Agency was audited by an outside CPA firm, and any cash held by the Agency that was deemed "excess" through the audit had to be sent to the County of San Diego. The city then received a portion of the "excess" funds received by the county from the city as additional property tax revenue.

<sup>1</sup> University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Up in December - February*, April 9, 2013.

In addition, according to the County of San Diego Assessor's Office, assessed values in Carlsbad have decreased by 0.38 percent for Fiscal Year 2012-13. This is the fourth year in a row that Carlsbad's assessed values have decreased from year to year. This reflects the continuing countywide slowdown in property valuation and new construction, as well as an increase in foreclosures. The decrease in this year's assessed values was due to a decrease in residential and industrial properties; commercial property values actually increased for the year.

The primary reasons that property taxes for the first nine months of the new fiscal year have increased by 6 percent as compared to the prior fiscal year are:

- Current taxes are up by \$358,000 due to timing differences.
- Aircraft taxes are down by \$81,000 or 4.9 percent due to one-time revenues received in the prior fiscal year.
- Supplemental taxes are up by \$43,000 or 19 percent due to an increase in home resales whereby the sales price of the home exceeded the previous assessed value.
- Payments for previous years' taxes are up by \$80,000 due to an increase in collections on past due tax bills.
- Unitary taxes have increased by \$66,000 due to timing differences.
- Additional one-time property taxes received from the former Redevelopment Agency are up by \$1.3 million (see discussion above).



**Sales Taxes (\$20.4 million)** – For the first nine months of the fiscal year, sales tax revenues are \$880,000 (or 5 percent) higher than the same time period in the previous fiscal year. Sales tax revenues for the year represent the actual sales tax receipts for the second, third and fourth quarters of calendar year 2012, as well as the first advance of the city's first calendar quarter of 2013 sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy. The primary factors in the increase over the prior fiscal year is the result of a 0.7 percent decrease in sales tax revenues during the second calendar quarter of 2012, a 4.8 percent increase in sales tax revenues during the third calendar quarter of 2012, a 7.6 percent increase in sales tax revenues during the fourth calendar quarter of 2012, a 9.1 percent growth in the semi-annual "Triple Flip" payment, and the State Board of Equalization applying a positive 6.6 percent growth factor to the monthly advances for the first calendar quarter of 2013. The small decrease in sales tax revenues for the second calendar quarter was due to two prior year adjustments made in the quarter; the result of audits done by the State Board of Equalization.

For sales occurring in the fourth calendar quarter of 2012 (the most recent data available), key gains could be seen in new auto sales, chemical products, restaurants, and service stations. During the same period, key declines could be seen in light industry, recreation products, office equipment and furniture/appliance. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were up 5.8 percent for sales occurring in the 12 months ended December 31, 2012 over the same 12-month period last year.

The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 68 percent of the city's sales tax revenues.



**Transient Occupancy Tax (\$10.6 million)** – Transient Occupancy Taxes (TOT) for the first nine months of the fiscal year reflect an increase of \$1 million, 11 percent more than the previous year. The city's two largest hotels accounted for 32 percent of the increase. One of the larger hotels was undergoing renovations during a portion of the prior fiscal year. Higher occupancy and room rates throughout most of the city's other

hotels also contributed to the variance. Additionally, the new 215 room Hilton beachfront hotel opened in the Ponto area of the southwest quadrant of the city in late June 2012, while a 126 room hotel closed in November 2012 for renovations. It is due to reopen later in the year. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of February 2013.

Currently, there are 3,691 hotel rooms and 1,013 vacation rentals (timeshares) in the city. The average occupancy of hotel rooms over the most recent 12 months has been 62 percent, one percentage point above last year's average.



**Business License Tax (\$3 million)** – Business license revenues are up \$200,000 compared to Fiscal Year 2011-12. The increase is due almost entirely to an increase in renewal license fees. This indicates strong business volumes within the city's existing businesses. One of the city's largest companies realized significant growth over last year, accounting for almost 50 percent of the increase.

There are currently 8,997 licensed businesses operating within the city, 177 more than the prior year. The majority of taxed businesses (6,358 businesses) are located in Carlsbad, with 2,562 of these businesses home-based.



**Interdepartmental Charges (\$2.9 million)** – Interdepartmental charges are \$183,000, or 7 percent higher than last year. These charges are generated through engineering services charged to capital projects (up 32 percent or \$201,000 due to timing differences), reimbursed work from other funds (down \$1,000) and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (down 0.8 percent or \$17,000). The

small drop in miscellaneous interdepartmental expenses is due to the state dissolving the city's redevelopment agency.



**Development Related Revenues (\$2.3 million)** – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a significant increase for the year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in April included the new La Costa Town Square shopping center and the new desalination facility.

Another source of development related revenue is building permits, which are up 20 percent compared to last fiscal year. The increase in building permit revenue is derived from the combination of an increase in the valuation of new construction combined with an increase in the square footage of commercial/industrial permits issued netted with a small decrease in the number of residential building permits issued. The year-to-date valuation of new construction in the current fiscal year is just under \$141.9 million, while it was just under \$127.3 million in the previous fiscal year, an 11.5 percent increase. The pace of construction dipped in the month of March as builders pulled permits for eight homes. Contractors will build seven single-family homes in the "Wescott" project in the La Costa Oaks North neighborhood. Lastly, in the northwest quadrant, one building permit was issued for a single-family home. For the first nine months of the fiscal year, 267 residential permits were issued, as compared to 270 permits issued during the same period last year.

For the months of March, one permit was issued in the city for new commercial space. A permit was issued for 9,316 square feet of new commercial space for the Goddard School for Early Child Development. Year-to-date there has been 260,976 square feet of commercial/industrial permits issued, as compared to 168,402 square feet of commercial/industrial permits issued during the same period last year.



**Franchise Taxes (\$2.3 million)** – Franchise taxes are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Year-to-date franchise taxes are up \$42,000 over the same period last year. A 0.7 percent



increase in cable television franchise revenues (Time Warner and AT&T), a 3.3 percent increase in trash collection revenue, and a small increase in the quarterly fiber optic antenna system franchise payment have created the positive variance for the year.

Approximately 37 percent of the total franchise fee revenue anticipated for the year will be collected from SDG&E during the month of April 2013.



**Ambulance Fees (\$1.9 million)** – The city bills any individual who is transported in one of the city’s ambulances. Through March 2013, receipts from ambulance fees are down 3 percent or \$68,000 lower than last fiscal year at this time. The number of billable transported patients and the amount billed for services in the first nine months of Fiscal Year 2012-13 (3,395) versus Fiscal Year 2011-12 (3,482), has decreased moderately as reflected in the lower revenues to date.



**Income from Investments and Property (\$1.6 million)** – For the year, income from investments and property is down \$148,000 compared to the previous fiscal year.

Interest income is down for the year due to the net effect of a 6.12 percent increase in the average daily cash balance combined with a 31.3 percent decrease in the average yield on the portfolio for the year (a drop in the yield from 1.724 percent last fiscal year to 1.185 percent in the current fiscal year).

Income from property rentals is up by \$36,000 for the year primarily due to the net impact of an increase in cell site leases and an increase in facility rentals (former redevelopment assets), partially offset by a decrease in senior center and other city facility rentals.



**Other Revenue Sources (\$1.5 million)** – Other revenue sources have increased by \$142,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; miscellaneous reimbursed expenses and refunds of prior year fees. A major factor in the increase in revenues in the current fiscal year is a large refund received by the city in December. Due to a recent ruling by the California Supreme Court, administrative fees associated with the collection of the triple flip sales tax and VLF-in-lieu (property taxes in lieu of vehicle license fees) revenues were deemed to be unlawful. The city received a \$615,000 refund of prior year administrative fees collected on these revenues, creating the large variance from the prior fiscal year. This refund was partially offset by a large decrease in reimbursements to offset the costs of special projects/studies for developers as well as the fact that in the prior fiscal year, the city had received a large donation from the Margaret Brownley Trust.



**Recreation Fees (\$1.2 million)** – Recreation fees are generated through instructional classes, camps, youth and adult sports, the triathlon, special events, parent participation preschool, senior programs, various aquatic programs, and lagoon permits. The Parks & Recreation Department program revenue is gradually improving over the prior fiscal year. Overall demand for access to recreation and active, healthy lifestyle programming should continue to grow throughout the year.



**Other Licenses and Permits (\$879,000)** – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity.



**Transfer Taxes (\$586,000)** – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Revenues have seen a recent spike due to timing differences.



**Other Intergovernmental Revenues (\$568,000)** – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$568,000 received this year are federal senior nutrition grants, state mandated cost reimbursements, reimbursements for Peace Officer Standards and Training (POST), an adult learning grant, a habitat restoration grant, Regional Auto Task Force funds, a fire JPA reimbursement for mobile data computers, and law enforcement assistance.



**Fines and Forfeitures (\$567,000)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The largest factor in the decrease in revenues is that there has been a significant decrease in the amount of revenues received from the traffic court for code violations for the year. This can partially be explained by the fact that three motor officers retired in December 2012 and their positions have not yet been filled.



**Other Charges or Fees (\$483,000)** – Other charges and fees are generated through the sale of city documents such as agenda bills, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services such as mutual aid response, mall police services, emergency response services, reports, etc.



**Homeowners' Exemptions (\$181,000)** – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The state then reimburses the city for this mandated exemption. This reimbursement is entitled Homeowners' Exemption revenue and is shown under intergovernmental revenues. Timing differences and delinquencies account for this year's variance.



**Vehicle License Fees (\$55,000)** – Although the city is no longer receiving vehicle license fee (VLF) revenues from the state, the revenues received in the current fiscal year represent a retroactive clean-up payment received by the city for prior fiscal years.

## Expenditures

Total General Fund expenditures and encumbrances through the month of March 2013 are \$90.7 million, compared to \$86.9 million at the same time last year. This leaves \$47.8 million, or 34.5 percent, available through the fiscal year-end on June 30, 2012. If funds were spent in the same proportion as the previous year, the General Fund would have 35.9 percent available. A payroll timing difference accounts for the small variance between fiscal years. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at March 31, 2013 is 30.2 percent, slightly less than the 31.9 percent available at March 31, 2012. The adopted General Fund budget for Fiscal Year 2012-13 increased by \$3.3 million due to the following factors:

- \$1.8 million additional transfer to the city's Self Insured Benefits Fund to assist with anticipated future pension rate increases
- \$400,000 in additional costs associated with the opening of the City of Carlsbad's Safety Training Center
- \$240,000 for an Urban Place contract for work to be done in the former Village Redevelopment Project Area
- \$600,000 in previously negotiated Fire salary and benefit increases

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of March 31, 2013, \$592,766 has been authorized out of the contingency account, as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
<b>ADOPTED BUDGET</b>	\$1,500,000		
<b>USES:</b>			
"In Kind" Assistance for the Cardiff and Carlsbad State Beaches "Christmas in July" Event	(110)	07/09/2012	City Manager
Winning Teams Grant for the Aviara Oaks Middle School	(2,750)	08/28/2012	2012-203
Winning Teams Grant for the Mission Estancia Elementary School	(1,500)	08/28/2012	2012-203
Winning Teams Grant for the Carlsbad Knights Baseball Team	(3,891)	08/28/2012	2012-204
Special Events Grant for the 9th Annual Carlsbad Music Festival	(10,000)	09/11/2012	2012-218
Special Events Grant for an Agua Hedionda Lagoon Foundation Event	(1,714)	10/02/2012	2012-232
Special Events Grant for an Agua Hedionda Lagoon Foundation Event	(2,981)	11/15/2012	City Manager
Labor Negotiations	(513,232)	11/27/2012	Closed Session and 2012-256
Community Spirit Grant for the Carlsbad Christmas Bureau	(1,948)	12/17/2012	City Manager
Winning Teams Grant for the Xcalibur Dance Team	(5,500)	01/08/2013	2013-020
Winning Teams Grant for the Lancer Dancers	(5,940)	01/08/2013	2013-020
Winning Teams Grant for the La Costa Canyon Pop Warner Cheer Team	(7,000)	01/08/2013	2013-020
Utility Costs Associated with the Bio-Tech Incubator Program	(31,200)	01/29/2013	2013-029
Winning Teams Grant for the Carlsbad Pop Warner Cheer Team	(5,000)	01/31/2013	City Manager
<b>TOTAL USES</b>	<u>(592,766)</u>		
<b>AVAILABLE BALANCE</b>	<u><u>\$907,234</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 03/31/13	ACTUAL FY 2012 AS OF 03/31/12	ACTUAL FY 2013 AS OF 03/31/13	CHANGE FROM YTD 2012 TO YTD 2013	PERCENT CHANGE
<b>TAXES</b>					
PROPERTY TAX	\$28,730,414	\$28,956,461	\$30,679,609	\$1,723,148	6%
SALES TAX	19,533,019	19,485,750	20,365,896	880,146	5%
TRANSIENT OCCUPANCY TAX	9,983,524	9,532,129	10,568,847	1,036,718	11%
FRANCHISE TAX	2,251,363	2,236,951	2,278,925	41,974	2%
BUSINESS LICENSE TAX	2,737,437	2,823,996	3,024,168	200,172	7%
TRANSFER TAX	646,558	550,591	586,161	35,570	6%
<b>TOTAL TAXES</b>	<b>63,882,315</b>	<b>63,585,878</b>	<b>67,503,606</b>	<b>3,917,728</b>	<b>6%</b>
<b>INTERGOVERNMENTAL</b>					
VEHICLE LICENSE FEES	0	52,838	55,196	2,358	4%
HOMEOWNERS EXEMPTIONS	188,482	184,215	181,306	(2,909)	-2%
OTHER	485,626	520,612	568,300	47,688	9%
<b>TOTAL INTERGOVERNMENTAL</b>	<b>674,108</b>	<b>757,665</b>	<b>804,802</b>	<b>47,137</b>	<b>6%</b>
<b>LICENSES AND PERMITS</b>					
BUILDING PERMITS	398,726	587,597	704,544	116,947	20%
OTHER LICENSES & PERMITS	561,402	700,704	878,532	177,828	25%
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>960,129</b>	<b>1,288,301</b>	<b>1,583,076</b>	<b>294,775</b>	<b>23%</b>
<b>CHARGES FOR SERVICES</b>					
PLANNING FEES	248,302	256,286	456,379	200,093	78%
BUILDING DEPARTMENT FEES	392,262	484,919	577,093	92,174	19%
ENGINEERING FEES	404,531	535,675	607,969	72,294	13%
AMBULANCE FEES	1,874,094	1,953,225	1,885,141	(68,084)	-3%
RECREATION FEES	1,185,988	1,207,000	1,223,732	16,732	1%
OTHER CHARGES OR FEES	565,454	482,202	483,032	830	0%
<b>TOTAL CHARGES FOR SERVICES</b>	<b>4,670,630</b>	<b>4,919,307</b>	<b>5,233,346</b>	<b>314,039</b>	<b>6%</b>
<b>FINES AND FORFEITURES</b>	<b>696,065</b>	<b>640,476</b>	<b>567,167</b>	<b>(73,309)</b>	<b>-11%</b>
<b>INCOME FROM INVESTMENTS &amp; PROPERTY</b>	<b>1,846,988</b>	<b>1,708,011</b>	<b>1,559,725</b>	<b>(148,286)</b>	<b>-9%</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>2,677,657</b>	<b>2,733,602</b>	<b>2,916,258</b>	<b>182,656</b>	<b>7%</b>
<b>OTHER REVENUE SOURCES</b>	<b>1,839,768</b>	<b>1,347,798</b>	<b>1,489,791</b>	<b>141,993</b>	<b>11%</b>
<b>TRANSFERS IN</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$77,247,660</b>	<b>76,981,038</b>	<b>\$81,657,771</b>	<b>\$4,676,733</b>	<b>6%</b>

(1)

(1) Calculated General Fund revenues are 5.7% above estimates as of March 31, 2013.



GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT				
DEPT DESCRIPTION	TOTAL BUDGET FY 2012-13	AS OF 03/31/13		
		AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE*
<b>POLICY/LEADERSHIP GROUP</b>				
CITY COUNCIL	\$390,584	\$271,881	\$118,703	30.4%
CITY MANAGER	1,929,692	1,372,263	557,429	28.9%
COMMUNICATIONS	905,480	663,548	241,932	26.7%
CITY CLERK	174,900	97,930	76,970	44.0%
CITY ATTORNEY	1,451,972	988,273	463,699	31.9%
CITY TREASURER	214,354	136,330	78,024	36.4%
RECORDS MANAGEMENT	885,544	478,519	407,025	46.0%
<b>TOTAL POLICY/LEADERSHIP</b>	<b>5,952,526</b>	<b>4,008,744</b>	<b>1,943,782</b>	<b>32.7%</b>
<b>INTERNAL SERVICES</b>				
FINANCE	4,221,945	2,657,981	1,563,964	37.0%
HUMAN RESOURCES	2,794,882	1,909,216	885,666	31.7%
PROPERTY AND ENVIRONMENTAL MANAGEMENT	6,292,667	4,311,904	1,980,763	31.5%
<b>TOTAL INTERNAL SERVICES</b>	<b>13,309,494</b>	<b>8,879,101</b>	<b>4,430,393</b>	<b>33.3%</b>
<b>PUBLIC SAFETY</b>				
POLICE	28,536,973	21,061,426	7,475,547	26.2%
FIRE	18,117,503	13,570,653	4,546,850	25.1%
<b>TOTAL PUBLIC SAFETY</b>	<b>46,654,476</b>	<b>34,632,079</b>	<b>12,022,397</b>	<b>25.8%</b>
<b>COMMUNITY DEVELOPMENT</b>				
COMMUNITY AND ECONOMIC DEVELOPMENT	9,366,847	6,459,692	2,907,155	31.0%
HOUSING AND NEIGHBORHOOD SERVICES	629,446	414,566	214,880	34.1%
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<b>9,996,293</b>	<b>6,874,258</b>	<b>3,122,035</b>	<b>31.2%</b>
<b>COMMUNITY SERVICES</b>				
PARKS AND RECREATION	14,874,006	9,692,084	5,181,922	34.8%
LIBRARY AND ARTS	11,440,960	7,674,877	3,766,083	32.9%
<b>TOTAL COMMUNITY SERVICES</b>	<b>26,314,966</b>	<b>17,366,961</b>	<b>8,948,005</b>	<b>34.0%</b>
<b>PUBLIC WORKS</b>				
TRANSPORTATION	10,780,542	7,123,471	3,657,071	33.9%
UTILITIES	310,538	200,724	109,814	35.4%
<b>TOTAL PUBLIC WORKS</b>	<b>11,091,080</b>	<b>7,324,195</b>	<b>3,766,885</b>	<b>34.0%</b>
<b>NON-DEPARTMENTAL &amp; CONTINGENCY</b>				
OTHER NON-DEPARTMENTAL (a)	13,151,421	1,329,197	11,822,224	89.9%
TRANSFERS OUT	11,071,586	10,284,351	787,235	7.1%
CONTINGENCY	907,234	0	907,234	100.0%
<b>TOTAL NON-DEPT &amp; CONTINGENCY</b>	<b>25,130,241</b>	<b>11,613,548</b>	<b>13,516,693</b>	<b>53.8%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$138,449,076</b>	<b>\$90,698,886</b>	<b>\$47,750,190</b>	<b>34.5%</b>
(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.				
(b) Total committed includes expenditures and encumbrances.				
* Amount available would be 35.9% if funds were spent in the same proportion as the previous year.				

## Water Enterprise

WATER OPERATIONS FUND MARCH 31, 2013					
	BUDGET FY 2012-13	YTD (*) 03/31/2012	YTD (*) 03/31/2013	CHANGE FROM YTD 2011-12 TO YTD 2012-13	PERCENT CHANGE
<b>REVENUES:</b>					
WATER DELIVERY	32,050,000	21,843,884	24,490,458	2,646,574	12.1%
MISC. SERVICE CHARGES	242,000	200,824	224,906	24,082	12.0%
PROPERTY TAXES	2,955,000	1,661,206	1,766,204	104,998	6.3%
FINES, FORFEITURES & PENALTIES	280,000	228,905	250,432	21,527	9.4%
OTHER REVENUES	374,800	284,654	323,450	38,796	13.6%
<b>TOTAL OPERATING REVENUE</b>	<b>35,901,800</b>	<b>24,219,473</b>	<b>27,055,450</b>	<b>2,835,977</b>	<b>11.7%</b>
<b>EXPENSES:</b>					
STAFFING	3,438,870	2,525,510	2,416,900	(108,610)	-4.3%
INTERDEPARTMENTAL SERVICES	1,999,700	1,472,370	1,464,623	(7,747)	-0.5%
PURCHASED WATER	16,560,200	10,698,481	12,189,142	1,490,661	13.9%
MWD/CWA FIXED CHARGES	5,625,000	3,715,592	4,100,873	385,281	10.4%
OUTSIDE SERVICES/MAINTENANCE	1,020,093	276,486	331,895	55,409	20.0%
DEPRECIATION/REPLACEMENT	4,193,000	3,118,669	3,144,750	26,081	0.8%
CAPITAL OUTLAY	0	0	0	0	0.0%
MISCELLANEOUS EXPENSES	2,271,060	543,666	2,143,525	1,599,859	294.3%
<b>TOTAL OPERATING EXPENSES</b>	<b>35,107,923</b>	<b>22,350,774</b>	<b>25,791,708</b>	<b>3,440,934</b>	<b>15.4%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>793,877</b>	<b>1,868,699</b>	<b>1,263,742</b>	<b>(604,957)</b>	<b>-32.4%</b>

(\*) Adjusted to reflect timing differences for water purchases and depreciation.

### Revenues



- The increase in water delivery revenues is the result of a combination of a 6.4 percent increase in the number of water units sold and an average 8 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2013.
- The addition of 2,535 water customers (new account charges) over the past year has impacted miscellaneous service charges.
- The increase in other revenues is the result of higher service scrap/recycle sales, service installation fees and interest earnings.

### Expenses



- Lower staffing expenses are the result of a change in the methodology used to accrue payroll into the prior fiscal year from the implementation of a new payroll system as well as a 1.9 FTE (full-time equivalent) reduction in headcount.
- Though the amount of purchased water increased by 4.9 percent from the prior fiscal year, an 8 percent rate increase in the cost of water purchased from the SDCWA is the primary driver in this variance.
- The replacement of a gate valve on Navarra Drive, the installation of gate valves at the intersection of Celinda Drive and Sara Way, the installation of surveillance equipment at Maerkle Reservoir, and CMWD yard asphalt and concrete maintenance has created the variance in outside services/maintenance.
- An increase in meter purchases for the Automated Meter Reading (AMR) program has led to higher miscellaneous expenses. The program was temporarily suspended last year at this time.

### Outlook

Currently, the operating results for the Enterprise reflect a year-to-date gain of \$1.3 million. Higher water delivery revenues due to a recent rate increase and additional water units sold, partially offset by higher expenses (primarily water purchases and the continuation of the AMR program), have led to this gain for the year. Based on activity to date, it is projected that the Enterprise will have a surplus between \$1 and \$1.5 million by the end of the fiscal year.

## Wastewater Enterprise

WASTEWATER OPERATIONS FUND MARCH 31, 2013					
	BUDGET FY 2012-13	YTD 03/31/2012	YTD 03/31/2013	CHANGE FROM YTD 2011-12 TO YTD 2012-13	PERCENT CHANGE
<b>REVENUES:</b>					
CHARGES FOR CURRENT SERVICES	11,550,000	8,072,268	8,702,950	630,682	7.8%
INTEREST	15,000	10,297	18,302	8,005	77.7%
OTHER REVENUES	325,000	253,179	216,803	(36,376)	-14.4%
<b>TOTAL OPERATING REVENUE</b>	<b>11,890,000</b>	<b>8,335,744</b>	<b>8,938,055</b>	<b>602,311</b>	<b>7.2%</b>
<b>EXPENSES:</b>					
STAFFING	2,229,202	1,365,061	1,504,790	139,729	10.2%
INTERDEPARTMENTAL SERVICES	1,092,033	795,148	801,843	6,695	0.8%
ENCINA PLANT SERVICES	3,288,527	2,199,263	2,181,262	(18,001)	-0.8%
OUTSIDE SERVICES/MAINTENANCE	768,955	162,755	343,621	180,866	111.1%
DEPRECIATION/REPLACEMENT	3,630,000	2,753,145	2,722,500	(30,645)	-1.1%
CAPITAL OUTLAY	3,592	9,425	9,407	(18)	-0.2%
MISCELLANEOUS EXPENSES	484,325	314,396	272,973	(41,423)	-13.2%
<b>TOTAL OPERATING EXPENSES</b>	<b>11,496,634</b>	<b>7,599,193</b>	<b>7,836,396</b>	<b>237,203</b>	<b>3.1%</b>
<b>OPERATING INCOME/LOSS</b>	<b>393,366</b>	<b>736,551</b>	<b>1,101,659</b>	<b>365,108</b>	<b>49.6%</b>
(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.					

**Revenues**

- The increase in charges for current services is primarily the result of an additional 2,395 new residential account fees over the past 12 months, as well as a 2 percent rate increase that went into effect in January 2013.
- Interest revenue is the combination of interest earnings on the cash balance in the fund as well as earnings on the debt service reserve. Although the earnings on the debt service reserve are relatively flat for the year, a large increase in the average daily cash balance in the fund partially offset by a 31.3 percent decrease in the yield on the Treasurer's portfolio for the year has created this year's variance.
- The receipt of a one-time catch-up payment for power plant discharge fees in the prior fiscal year has led to lower other revenues compared to last fiscal year.

**Expenses**

- An increase in staffing expenses is the result of staff vacancies at this time in the prior fiscal year that are now filled.
- Encina plant services to date are lower than last year at this time due to the retirement of an executive position (Finance Director) that is currently vacant.
- The increase in outside services/maintenance costs is the result of sewer cleaning and maintenance activities and related environmental impact reporting services, as well as costs associated with the North Batiquitos Lagoon spill.
- A reduction in the purchase of parts and pumps for sewer lift station repairs/maintenance has led to lower miscellaneous expenses.

**Outlook**

Currently, the operating results for the Enterprise reflect year-to-date net income of \$1.1 million. Based on activity to date, it is anticipated that the Enterprise will end the year with operating income over operating expenses between \$500,000 and \$1 million. This is due to projected higher revenues in the second half of the fiscal year from a 2 percent rate increase that went into effect in January 2013 as well as projected lower than budgeted expenses.